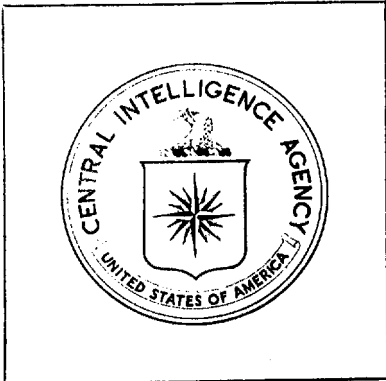


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*Communist Aid and Trade Activities
in Less Developed Countries, December 1975*

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(December 1975)**

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Details the continuing East European willingness to provide development financing and the expansion of trade, compared with a Soviet program that is growing only in the trade sphere.

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**COMMUNIST AID AND TRADE ACTIVITIES
IN LESS DEVELOPED COUNTRIES
December 1975**

**IRAN AND KUWAIT: CHANGING ECONOMIC RELATIONS
WITH COMMUNIST COUNTRIES**

A new economic relationship between Communist countries and the OPEC states of Iran and Kuwait is emerging. The USSR and Eastern Europe are trying to secure long-term financing from these OPEC states and to arrange favorable oil barter deals. The Communist countries have already obtained almost \$1 billion worth of credits. Meanwhile, Iran and Kuwait, because of their new economic independence and ability to maintain a political distance, are willing to engage in economic arrangements that they consider advantageous. Negotiations are under way for several joint ventures that would combine their oil money with Communist technology and skills.

Kuwait: A New Form of Cooperation

Kuwait has subscribed \$200 million in Hungarian and Romanian eight-year bonds, carrying 9.5%-10.0% interest, which it views as sound investments with a good rate of return. Poland and the USSR also are reported to have obtained large credits, with the amount and terms not revealed. A Romanian-Kuwaiti agreement in November 1975 for Romanian purchases of 20,000 b/d of oil a year for hard currency was the first long-term Communist agreement to purchase oil from Kuwait. Romania and Kuwait also had signed a five-year general economic agreement in 1974 for joint projects in the chemical, petroleum, and construction industries.

Polish initiatives, meanwhile, were furthered in October when Warsaw agreed to assist in developing Kuwait's petrochemical industry. Poland also hopes to conclude a long-term agreement for the purchase of oil.

Iran: The Major Creditor

In 1975, Iran for the first time extended economic aid to three East European nations and agreed in principle to provide Moscow with long-term credits. Tehran

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has loaned three-quarters of a billion dollars to Romania, Poland, and Bulgaria to build food processing and light industrial plants whose output will be exported to Iran in repayment. These funds are nearly three times the total committed to Iran by the three Communist countries during more than a decade of aid giving. The Iranians, however, are charging commercial interest rates, while the loans provided by the Communist countries had concessional features.

25X1 An Iranian-Soviet agreement signed in 1975 greatly broadens the scope of their economic relations. It envisions joint undertakings in both countries that could eventually reach \$3 billion. Tehran already has agreed in principle to provide credits to build a paper complex in the USSR, to be repaid in paper products. These arrangements coincide with the Shah's interest in acquiring raw materials and food products. [REDACTED]

ALGERIA: EXPANDING ECONOMIC RELATIONS WITH EASTERN EUROPE

Algeria has been upgrading its economic relations with Eastern Europe while downplaying its longstanding economic ties with the USSR, as may be seen in Table 2. In 1975, Eastern Europe committed \$89 million in new aid and for the first time East European technicians outnumbered the Soviet contingent (3,100 compared with 2,500). Meanwhile, Moscow, although the largest single Communist aid donor, has been unable to restore the momentum of its pre-1970 program.

Eastern Europe: A Dynamic Program

Beginning in 1970, East European nations responded quickly to Algeria's requests for aid to its first four-year plan (1970-73), making Algeria the second largest recipient of this aid since 1970. Although initial allocations were slow, recent contracts indicate that use of these credits will accelerate (see Table 3).

These contracts will diversify as well as expand East European efforts, which had been previously confined mainly to a handful of light industrial plants. Most notable is an agreement signed in June 1975 calling for Czech and East German collaboration on a \$57 million pump manufacturing plant at Medea. The facility probably will be financed under a new \$19 million East German credit, together with allocations from Czechoslovakia's 1972 credits.

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commitment since 1962 to more than \$430 million, slightly higher than the Soviet share and four and one-half times the Chinese.

Trade also has been a dynamic element in the relationship. Algeria has obtained needed equipment and services at moderate prices, while East European countries have found a market for a wide range of industrial products and have been able to secure needed supplies of oil and phosphates.

By 1974, trade had risen to an estimated \$215 million, more than six times the 1970 level. Algeria maintains a favorable balance of trade with most East European countries because of its phosphates and petroleum exports.

The Soviet Contribution

Moscow's most important contribution to Algerian development is its nearly \$320 million in credits for a 2-million-ton steel mill at Annaba, which on completion will be the largest in Africa. This accounts for 75% of all Soviet aid. The plant, plagued by continuing construction delays, is operating at less than one-fourth of total projected capacity and will probably run several years behind the 1977 scheduled completion date. Soviet personnel still are conducting extensive prospecting for minerals and metals that began in 1969 and have drawn up long-term plans for petroleum development.

Algeria's trade with the USSR rose by about 75% from 1970 to 1974 - to \$225 million. Machinery and equipment accounted for about one-fourth of Soviet exports, followed by cement and building materials, edible oils, and steel, coal, and other raw materials. Wine made up 90% of Algeria's exports to the USSR. Algiers' deficits in its trade account have been increasing largely because of the sharp rise in Soviet commodity prices while Algerian wine prices have risen marginally. [REDACTED]

OTHER ACTIVITIES

Economic

Africa

Cameroon. Romania and Cameroon signed their first economic and technical assistance agreement in late November. No details were announced. [REDACTED]

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Chad. A Soviet AN-12 began a grain airlift from N'Djamena to northern Chad in mid-December, transporting food donated by other countries. The USSR undertook a similar operation in January-March 1975. [REDACTED]

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East Asia

Philippines. Bulgaria is pressing for permission to open a trade office in Manila, [REDACTED]

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Latin America

Colombia. Colombia signed trade and economic cooperation agreements with the USSR on 13 December as part of what Bogota has termed a new commercial policy toward Communist countries. Colombia's development minister traveled to Moscow and East Berlin reportedly to study proposals on cooperation with CEMA, as well as the expansion of bilateral relations. Colombia also planned to request Soviet assistance for hydroelectric and flood control projects, possibly under credit. More than \$20 million of Communist assistance to Colombia remains unused. [REDACTED]

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Near East and South Asia

Afghanistan. In mid-November the USSR signed contracts to provide \$6.7 million worth of pipe for a gas pipeline project and \$2.6 million worth of construction equipment for the Sardeh Dam project, both in northern Afghanistan. The transactions came under existing aid agreements. [REDACTED]

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India. India signed a protocol with Bulgaria that envisions \$115 million of trade in 1976, nearly double the value in 1975. [REDACTED]

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On 10 December, India and Romania signed a new five-year trade and payments agreement and a protocol calling for trade to reach \$140 million in 1976. In addition, India agreed to a long-term program for purchasing Romanian oilfield equipment. New Delhi has already contracted for six oil rigs and is expected to order six more. [REDACTED]

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A 15-man Soviet team arrived in India on 31 December to assist in rescue work at the site of the mine disaster in Bihar state. [REDACTED]

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Iran. Under agreements signed in December, Hungarian-Iranian trade is to rise to \$84 million in 1976. The two countries also agreed to cooperate in agriculture, food processing, and public health and will form a joint international transport company. [REDACTED] s

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Iraq. Poland signed contracts with Iraq valued at \$15 million for installing three transformer stations and for increasing the capacity of a fourth station. The work is to be completed in two years. [REDACTED]

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During the visit of the Chairman of the Soviet State Committee for Foreign Economic Relations to Baghdad in late December an agreement was signed to construct several new projects in Iraq. New undertakings include a dam on the Euphrates River, reclamation of 40,000 hectares of land in the Ishaki area, construction of grain storage facilities with a capacity of 72,000 tons, and three training schools. New assistance probably will be required for these projects, as most of the \$550 million of existing Soviet aid to Iraq has been allocated to other uses. [REDACTED]

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The USSR has begun work on a \$54 million cement plant at Samawa that is scheduled to go into operation in 1978. Annual capacity is planned at 560,000 tons. [REDACTED]

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South Yemen. China completed a textile printing and dyeing mill in Aden under a 1970 credit agreement. The plant reportedly is the largest industrial project in the country. [REDACTED]

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The USSR signed a protocol to carry out further irrigation and land reclamation projects under a 1969 credit agreement with South Yemen. The project involves construction of two new dams and will permit cultivation of an additional 3,000 hectares in the Wadi Dhuban area, where the USSR has already built five dams. [REDACTED]

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Sri Lanka. In early December, Sri Lanka and the PRC signed their annual rice-rubber barter agreement to exchange 200,000 tons of Chinese rice for 67,000 tons of Ceylonese rubber. As in previous years, Peking will pay a price above prevailing world market rates for the rubber. Although Sri Lanka had hoped to be self-sufficient in rice by 1976, crop uncertainties have forced Colombo to rely once again on the rubber for rice barter arrangement with China. China already has made advance delivery of 60,000 tons of rice and the 140,000-ton balance will come from third countries. [REDACTED]

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The two sides also discussed shipment of rubber to pay for 30,000 tons of rice provided on an emergency basis in 1974, as well as settlement of a deficit in Sri Lanka's 1975 barter account. Last year, Colombo was unable to ship enough rubber to cover purchases of 250,000 tons of rice. [REDACTED]

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Syria. The USSR has announced that large-scale oil prospecting will be carried out in Syria under a protocol signed at Baku on 27 December. Announcement of the new agreement conflicts with earlier reports that Syria intended to cut back on Soviet participation in oil exploration in favor of Western-type concession arrangements. The new Soviet activity will be carried out in accordance with a comprehensive petroleum development plan for 1976-80 drawn up by Soviet technicians. [REDACTED]

Turkey. Soviet Premier Kosygin attended the 28 December inauguration of first-stage production at the Iskenderun iron and steel plant, one of Moscow's largest aid projects in the Third World. Some \$420 million in Soviet credits have been allocated to the complex since March 1967. The initial annual output of the plant will reach 1 million tons, and further Soviet assistance is planned for a series of expansions to a 4-million-ton capacity some time during the 1980s. [REDACTED]

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